

ATTACHMENT 1  
A.I.D EVALUATION SUMMARY - PART 1

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.  
2. USE LETTER QUALITY TYPE, NOT DOT MATRIX TYPE.

**IDENTIFICATION DATA**

<p>A. Reporting A.I.D Unit:</p>  <p>Mission or AID/W Office _  <u>USAID/Zambia</u></p> <p>(ES# _____          _____)</p>	<p>B. Was Evaluation Scheduled in Current FY.          Annual Evaluation Plan?</p> <p>Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/>          Ad Hoc <input type="checkbox"/></p> <p>Evaluation Plan Submission Date :          FY <u>95</u> Q <u>3</u></p>	<p>C. Evaluation Timing</p> <p>Interim <input type="checkbox"/> Final  <input checked="" type="checkbox"/></p> <p>Ex Post <input type="checkbox"/> Other  <input type="checkbox"/></p>
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D. Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project/ Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
690-0254	Regional Transport & Storage - Phase II Kafue-Lusaka Road	FY90	06/30/95	\$28,840	\$28,840

**ACTIONS**

E. Action Decisions Approved by Mission or AID/W Office Director	Name Of Officer Responsible for Action	Date Action to be Completed.
<p style="text-align: center;">Action (s) Required</p> <p>The final assessment of the operation and maintenance functions of the Government and the Republic of Zambia, Road Department in (1) deployment and use of project maintenance equipment, including equipment provided under the earlier Kafue-Chirundu (KC) road extension, and (2) fulfilling covenants to the agreement, including the completion of resealing operations over the KC road extension.</p>	<p>USAID/Zambia with REDSO/ESA Engineering Assistance</p> <p>(attach extra sheet if necessary)</p>	<p>March, 1996</p> <p>(attach extra sheet if necessary)</p>

### A P P R O V A L S

F. Date Of Mission or AID/W Office Review Of Evaluation:	(Month) April	(Day) 29
		(Year) 1995

G. Approvals of Evaluation Summary And Action Decisions:				
NAME (Typed)	Project/program Officer	Representative Of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
	Susan Gale	NCDP	CNoren	JStepanek
SIGNATURE				
DATE				

<b>ABSTRACT</b>
H. Evaluation Abstract ( Do not exceed the space provided)

The project aims to provide 53.4 kilometers (km) of high quality road to the Government of the Republic of Zambia (GRZ) and runs from Lusaka to Kafue. The road extends from Kafue to Chirundu, at the Zimbabwe border, for another 81 kilometers previously constructed with USAID funding. The project has been completed as designed and according to specifications, within the planned time frame and budget. USAID funding for the project is \$28.84 million.

The final evaluation is provided for in the ProAg following completion of the work and was performed in April, 1995. A mid term evaluation was performed in November, 1993. Both evaluations were performed jointly with REDSO/ESA, USAID/ZAMBIA AND the GRZ Road Department.

### **Major Findings:**

1. The quality of construction of the road is excellent. Several added features including, road marking, traffic lights and improved drainage make it a high class road.
2. Major disputes developed between the original contractor and the HC over payments in view of deteriorating foreign exchange rate fluctuations. The contractor started building claims and putting all sorts of pressure on the HC and TA contractor. The issue was so severe that the HC failed to successfully negotiate a major change order with the contractor for additional improvements. Subsequently the contract had to be split and new tenders were solicited so that a new contractor could be engaged to perform the additional work.
3. An outside consultant was engaged to determine a fair resolution of the problem. The dispute was resolved and the original contractor was compensated for the unanticipated foreign exchange rate fluctuations. A major contributing factor to the success of the project was the use of a professional services firm to undertake the complex research and analysis task, and to mediate contractual issues.
4. The GRZ Road Department which has the obligation to operate and maintain the road, could not identify current or planned resources, or a work plan to perform this work.
5. The ProAg covenants specify that the GRZ road department will reseal 81 km of road between Kafue and Chirundu. As of April 1995, the Road Department completed 52 km with USAID provided LC funds. The work stopped at that point. The Road Department has sought additional USAID LC funding to complete the remaining work. USAID found that the Road Department was unable to satisfactorily account for LC funding provided to them under several previous LC agreements, and the Department was unable to take such actions as would be necessary to assure USAID that deficiencies in accounting were corrected and would not be repeated. USAID, therefore, was unable to make further grants to the Road Department, and requested that work be completed within the ordinary GOZ budget.

### **Lessons Learned:**

1. In a country-specific situation, if the local currency is weak and foreign exchange rate against dollar may drop significantly, a dollar value contract can avoid construction disputes,

**COSTS****I. Evaluation Costs**

1. Evaluation Team		Contract Number OR TDY Person	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
NAME	AFFILIATION	Days		
Shankar Gupta, REDSO/ESA		10 days	N/A	REDSO/ESA
Abdulaziz Hussen, USAID/Engineer		10 days	N/A	USAID
2. Mission/ Office Professional Staff		3. Borrower/Grantee Professional Staff		
Person - Days (Estimate) _____		Person - Days (Estimate) _____		
_____		_____		

## A.I.D EVALUATION SUMMARY - PART II

### S U M M A R Y

J. Summary of Evaluation findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided) Address the Following Items:-

* Purpose of Evaluation and Methodology used	*
Principle Recommendation	
* Purpose of activity(ies) Evaluated	*
Lessons Learned	
* Findings and Conclusions (relate to questions)	

Mission or Office:  USAID/Zambia	Date This Summary Prepared:  October 23, 1995	Title And Date of Full Evaluation Report:  Kafue-Lusaka Road April 1995.
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#### 1. Project Goal

The project goal provides a strong foundation for economic growth in the southern Africa regional countries. The goal will be achieved through increased regional exports and extra regional trade as a function of the expanded road with improved reliability and concomitant operational cost savings making regional products more market competitive.

Following completion of the project, 53.4 km of road have undergone major rehabilitation and improvements with USAID funding of \$28.84 million this includes, 3.9 km divided six lane highway, 11.1 km four lane highway (4.85 km divided and 6.25km undivided). Approximately 38.3 km remains as a two lane undivided highway. The improved infrastructure will accommodate a projected annual traffic increase of 5 to 7%.

#### 2. Purpose of Evaluation

This final evaluation is provided for in the Project Paper after completion of the project. The evaluation provides an independent assessment to USAID/Zambia of the extent to which the project has met the target objectives, and the major findings which relate to long term project sustainability issues and recommended course of actions.

#### 3. Methodology

The methodology consisted of 1) a review of project related USAID documents, files, agreements, reports by USAID and involved parties;  
2) interviews with USAID project team members, TA contractor team members and GRZ Road Department personnel; and 3) a comprehensive road reconnaissance survey.

#### 4. Findings and Observations

The project road has been rehabilitated as designed. As of April 1995, the O&M equipment has been ordered for procurement for a delivery date of June '95. During follow up visit in FY96, the Evaluator will verify the inventory of equipment in addition to assessing annual road performance.



**A.I.D EVALUATION SUMMARY - PART II**

<b>S U M M A R Y   C O N T I N U A T I O N</b>
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The project had tendering problems and major cost related disputes with the original construction contractor. The overall impacts were 1) retendering of the original construction contract and 2) splitting the original construction contract into two separate contracts while implementation was in progress, and bringing in a second contractor. The combination of reasons were (1) Limited competition to Code 941 countries in the first tendering process which brought in only two tenders both exceeding the budget cost. Subsequent retendering was extended to Code 935 countries which drew considerable response and competition from contractors; (2) Unstable local currency (LC) against the U.S. Dollar which discouraged potential contractors from bidding; and (3) the original contractor's hard bargaining stand leading to a major change order with HC for added improvements to the the road.

The project cost was generally contained within the budget. This included about \$6 million increased authorization based on the expanded scope of work. In addition, some transfers of funds were made among project budget elements to control and reduce project costs. The project file contains rationale and justification for these actions.

## **5. Host Country Performance**

Although a high quality road has been built with USAID investment of \$28.84 million, and is now fully operational under the GRZ Road Department, the latter could not produce a financial and personnel plan of operation and maintenance for effective operation and long term sustainability of the project. The GRZ does have trained manpower who may be qualified to operate and maintain the road. Also, their financial resource allocation in relation to the O&M budget remains questionable.

The ProAg covenants specify that the GRZ road department will reseal 81 km of road between Kafue and Chirundu. As of April 1995, the Road Department completed 52 km with USAID provided LC funds. The work stopped at that point. The Road Department has sought additional USAID LC funding to complete the remaining work. USAID found that the Road Department was unable to satisfactorily account for LC funding provided to them under several previous LC agreements, and the Department was unable to take such actions as would be necessary to assure USAID that deficiencies in accounting were corrected and would not be repeated. USAID, therefore, was unable to make further grants to the Road Department, and requested that work be completed within the ordinary GOZ budget.

The Zambian Government states that the KL road is the best in the nation. However, the evaluation recorded that considerable vandalism, theft and destruction have occurred to traffic controls, lighting standards and other road related property. These deficiencies have to be corrected, and a mechanism put in place by the GRZ to maintain road-related property.

The following lessons are noted from this project implementation.

1. The HC should have developed an appropriate O&M plan for the road with necessary funding.
2. The HC should have completed resealing of the 81 km of Kafue-Chirundu road as per ProAg and covenants.
3. A 100% U.S. Dollar value contract should be considered for USAID funded construction contracts in the Countries where LC is weak and unstable. Many potential contractors decline to bid, or put a very high bid price on their offer in order to protect their interests against falling local currency rates to the U.S. Dollar. The resulting problems include disputes, construction claims, difficulty to negotiate change order at fair and reasonable price, implementation delay and resulting cost escalation.
4. Where a construction contract is based partly in U.S. Dollars and partly in local currency, a reasonable rationale



ATTACHMENTS
<p>K. Attachments (list attachments submitted with this Evaluation Summary: <b><u>always</u></b> attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys e.t.c, from "on- going" evaluation, if relevant to the evaluation report.)</p> <p>Final Evaluation Report - Kafue Lusaka Road.</p>
COMMENTS
<p>L. Comments By Mission, AID/W Office and Borrower/Grantee on Full Report</p> <p><b>MISSION COMMENTS:</b> USAID concurs with the findings of the report. USAID has tentatively scheduled a follow up visit by the REDSO/ESA Engineer, who also performed this evaluation in March-April 1995. During the visit, the REDSO/Engineer will: make a comprehensive assessment of the annual road performance, assess the status of the recommendations addressed in the evaluation report, assess the HC's performance in maintaining the road, assess procurement and use of the project funded equipment, and the HC institutional set up for personnel and financial resources for O&amp;M activities of the road.</p>